



Suncor Energy Unveils \$3.5B Budget For 2006

International Market Insight Report – January 2006

International Copyright, U.S. Commercial Service And U.S. Department Of State, 2006. All Rights Reserved Outside Of The United States.

Suncor Focused on Oilsands Expansion

Suncor Energy's capital investment plans for 2006 are focused on increasing oilsands production and earning a solid return on investment. In November the company announced \$3.5B in spending slated for 2006. This budget is an increase of 30 percent over capital spending in 2005.

Approximately \$2.5B of the budget will be pumped into Suncor's oilsands operations. About \$1.8B will be allocated for growth with the remaining \$700 million to be spent on sustaining capital. The company's growth targets in the oilsands include increasing production capacity to 350,000 bbl/d in 2008, up from an average of 162,000 bbl/d in 2005. This expansion plan will also lay the groundwork for additional expansions in the future.

The remaining portion of the budget, approximately \$1B, will be spent on sustaining and expanding the company's natural gas business as well as modifying downstream operations in both Canada and the United States.

Canada's Oilsands

Capital spending in Alberta's oilsands reached \$6.2 billion in 2004, and in 2005 it is expected to reach \$11 billion. Industry analysts are calling for dramatic growth in the oilsands as the decline in conventional oil and gas projects continues. Alberta Energy officials predict capital spending between 2005 and 2020 to reach well over \$100 billion.

The U.S. is by far Canada's largest customer when it comes to export of crude oil and refined products. Over the next 20 years, U.S. demand is forecast to rise significantly, requiring increased oil imports. Currently the oilsands are producing over 1,000,000 barrels per day (bpd) and with the existing level of investment the flow should reach 3.3 million bpd by 2015.

Specialists suggest that sectoral demand for equipment and services will see a steady increase in real terms of about 4% annually through 2006. This growth will meet the demand offered by the many major projects proposed over the next 15 years.

Opportunity for U.S. Manufacturers

Opportunities abound in Canada's oilsands sector. With major projects through 2020 valued at over \$100 billion, U.S. companies should approach project managers and engineers during the early stages of specification. U.S. companies supply over 90% of the import market for oil and gas equipment and services. Most is large machinery and equipment purchases by major oil and gas producers.

U. S. Business Center

THE GLOBAL PETROLEUM SHOW

June 13-15, 2006, Calgary, Canada
\$3750 (space limited)

This cost effective Trade Promotion Opportunity will be held during Canada's largest industry event, attracting over 1600 exhibiting companies and 50,000 visitors from 85 countries. Participants in the 1600 Sq. Ft. center will receive exhibitor space, a market briefing, pre-arranged appointments and a U.S. Consulate hosted reception. For information on this report, energy projects in Canada, or to reserve a spot at **The Global Petroleum Show**, contact Sharon Atkins, Canada's Energy Sector Coordinator at 403-265-2116 or Sharon.Atkins@mail.doc.gov.

(drafted A. Willness W. Balla)

We welcome your inquiries!

When you think of exporting, Think Canada First!